

**INFORMATIONAL  
CALENDAR ITEM  
C66**

A 35  
S 18

10/01/02  
PRC 3314.1  
J. Planck

**STAFF REPORT ON THE STATUS OF  
OIL AND GAS LEASE NO. PRC 3314.1,  
OFFSHORE MONTALVO OIL FIELD,  
VENTURA COUNTY**

**APPLICANT:**

California State Lands Commission  
100 Howe Avenue, Suite 100-South  
Sacramento, CA 95825-8202

**INTRODUCTION AND LEASE HISTORY:**

Oil & Gas Lease PRC 3314.1 consists of approximately 5,340 areas of tide and submerged lands offshore Montalvo Oil Field, in Ventura County. The lease was issued to Shell Oil Company in 1965. Through a series of assignments, the present lessee and operator is Berry Petroleum Company (Berry).

There has been one well drilled into the lease, in 1985, by Chevron (a "farm-out" from Shell) from an upland location on the east side of Harbor Boulevard. That well has been producing, and continues to produce, an average of 100 barrels of oil per day (BOPD) since it was completed. There is a small oil and gas processing facility at that onshore location.

**LAST COMMISSION ACTION:**

At the September 17, 2001, regularly scheduled California State Lands Commission (Commission) hearing, Berry requested and was granted a drilling deferment for this lease until July 1, 2003. Berry requested the deferment in order to conduct a seismic survey and to finish analysis of the geologic framework. The Commission's approval was subject to the following conditions and completion milestones, which were determined by the applicant and Commission staff to be reasonable and achievable:

CALENDAR ITEM NO. C66 (CONT'D)

1. Permitting of the seismic operation by February 1, 2002, with completion of the survey by April 1, 2002.
2. Interpretation of the data and identification of drilling targets by October 1, 2002.
3. Secure drilling permit (county) and well approvals (Commission and DOGGR) and drilling to begin by July 1, 2003.

These milestones were to be completed and Commission staff was to receive written notice of the completion of each "phase." Berry was also required to brief the Commission on or before October 1, 2002, on its progress.

**CURRENT PROGRESS and UPDATE:**

On February 1, 2002, Commission staff received written notice advising of Berry's progress as required by the Commission's approval. The letter stated that Berry had completed a feasibility review of a seismic survey and determined that the company could not economically justify the survey because of State policy effectively restricting conventional seismic energy sources. In communications with Staff since that time, Berry has stated that it has acquired old seismic information that it is reprocessing, and it is contemplating doing some onshore seismic in the near future. The letter also asked that the Commission find that the lease be considered "economically fully developed". Staff is currently reviewing this request and waiting on further information from the company. It appears, at least initially, that there may be sufficient foundation to make such a finding, but further review is warranted.

Commission staff has requested that Berry be available to brief the Commission of its progress, as required by the September 17, 2001, approval, and to present its intentions regarding this lease and the final milestone.

**EXHIBITS:**

- A. Location Map
- B. Letter of February 1, 2002 from Berry Petroleum Company.